

MINUTES OF THE CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

August 17, 1999

The Capital Projects and Bond Oversight Committee met on Tuesday, August 17, 1999, at 9:30 AM, in the Gallery Meeting Room at the University of Kentucky, William T. Young Library. Representative Jodie Haydon, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Jodie Haydon, Chairman; Senator Bob Leeper, Vice Chairman; Senator Tom Buford; Representatives Robert Damron, Paul Marcotte, and Jim Wayne.

Guests testifying before the Committee: President Charles Wethington, Ed Carter, Dall Clark, Ken Clevidence, George DeBin, Dr. James Holsinger, and Dean Oran Little, University of Kentucky; Bill Hintze, Governor's Office for Policy and Management; Armond Russ, Finance and Administration Cabinet; and Jim Abbott, Department for Facilities Management;

Legislative Guests: Representative Kathy Stein.

LRC Staff: Mary Lynn Collins, Pat Ingram, Jack Affeldt, Lola Williamson Lyle, and Shawn Bowen.

Representative Damron made a motion to approve the minutes of the July 13, 1999 meeting as submitted. The motion was seconded by Representative Wayne and passed by voice vote.

Chairman Haydon introduced Dr. Charles Wethington, University of Kentucky President, and thanked him for allowing the Committee to meet on the campus today. Dr. Wethington welcomed the members and said he appreciated the Committee meeting at the University because it is important for them to see ongoing progress by the University. He said the University and the Committee have an excellent working relationship, and as projects come online and changes have to be made, the University wants to provide the necessary information to the Committee to help the University carry out its capital construction program.

Dr. Wethington said part of today's presentation will include a look at future capital projects by the University. He said the Committee has helped with the funding of the Research Challenge Trust Fund and research equipment, and noted that the University's top capital priority in the coming biennium will be a major research facility addition to the campus.

Chairman Haydon recognized Representative Kathy Stein, a member of the Fayette County Legislative Delegation.

Chairman Haydon reviewed correspondence items in members' folders, including the Kentucky Lottery Corporation's monthly financial status report for June 1999, and correspondence regarding the Parks Capital Maintenance and Renovation Fund. Also included in members' folders was follow-up information regarding bids on the Kentucky Electronic Workplace for Employment Services project.

Chairman Haydon then called on Mr. Bill Hintze, Deputy State Budget Director, Governor's Office for Policy and Management (GOPM), and Commissioner Armond Russ, Department for Facilities Management, to discuss three projects submitted by the Finance and Administration Cabinet.

Mr. Hintze first reported an allocation of \$497,300 from the Emergency Repair, Maintenance, and Replacement Account for an Emergency Boiler Replacement project at the Kentucky State Reformatory in LaGrange.

Chairman Haydon said allocations from the Emergency Account must be reported to the Committee within 30 days of allocation, but no action is required.

Next, Mr. Hintze discussed a \$42,000 scope increase for the Finance and Administration Cabinet, Department of Information Systems' Uninterruptable Power System Replacement project, a \$570,000 restricted funds project authorized by the 1996 General Assembly. The scope increase will be funded with restricted funds and will be used to meet the low project bid.

Representative Wayne noted a technical problem in that the Department of Information Systems failed to obtain reauthorization of the project in the 1998-2000 budget. He made a motion to approve the \$42,000 scope increase for the Uninterruptable Power System Replacement project, contingent upon Finance Secretary McCarty either citing an emergency or issuing a budget interpretation under the provisions of KRS 48.500 which would permit the project to proceed. The motion was seconded by Representative Damron and passed by voice vote. The revised project scope is \$612,000.

Mr. Hintze said he has discussed this project with Secretary McCarty previously, and he felt confident the Secretary would declare an emergency in this situation.

The final project Mr. Hintze discussed was a site location decision for the LaGrange State Police Post. He said the Kentucky State Police has recommended to Finance Secretary McCarty that the LaGrange State Police Post be moved to Henry County. The 1998 General Assembly authorized construction of a new LaGrange State Police Post and provided \$1.2 million in bond funds for construction. Mr. Hintze said State Police Commissioner Gary Rose outlined several reasons for this site decision in his letter dated July 7, 1999.

Representative Marcotte asked what the construction timetable is for the new state police post. Mr. Hintze said they are currently examining options for a specific site in Henry County that can be obtained for a very reasonable price. He said it should take approximately a year and a half for construction. Commissioner Russ added procurement of the property may take a year.

Representative Damron said it is important to recognize the State Police's need for autonomy in this case; he said he had discussed the proposed change with Representative Adams who represents Henry County.

In response to a question from Chairman Haydon, Mr. Hintze said the new NASCAR racetrack will be located in Gallatin County and both Gallatin and Henry Counties are along the I-71 corridor.

Chairman Haydon then introduced Mr. Jim Abbott, Director, Division of Real Properties, to report six state agency lease contracts approved by the Finance and Administration Cabinet. Mr. Abbott first reported two state lease contracts for the Cabinet for Families and Children exceeding \$100,000 annually: PR-1766, Kenton County, for \$220,755 annually; and PR-4439, Graves County, for \$122,397 annually. He said lease contract PR-4439 is a proposal for new construction, and is one of three lease contracts that have been negotiated under the new statute that allows the Cabinet to consider new construction when seeking space to lease, as opposed to existing leased property.

Representative Damron made a motion to approve lease contracts PR-1766 and PR-4439 for the Cabinet for Families and Children. The motion was seconded by Senator Leeper and passed by voice vote.

Next, Mr. Abbott reported the Finance Cabinet's approval of four emergency leases: PR-4422, the Kentucky Community and Technical College System (KCTCS), Hopkins County; PR-1055, Cabinet for Families and Children, Boone County; PR-1916,

Cabinet for Families and Children, McLean County; and PR-3494, Workforce Development Cabinet, Boyle County. He said the Cabinet and KCTCS decided to renew PR-4422 on an emergency basis for only one month. The temporary emergency lease has now expired and the staff is relocating to other leased property in Hopkins County owned by the city of Madisonville. The other leases are temporary renewals until regular leases can be procured through the competitive bidding process now underway.

Mr. Abbott next reported on eight state leases with square footage increases. The leases included PR-3961, Council on Postsecondary Education, Franklin County; PR-4120, Public Advocacy, Pike County; PR-4230, Workforce Development Cabinet, Spencer County; and PR-4234, Public Advocacy, Bell County. Also included were four leases for the Cabinet for Families and Children: PR-2492, Elliott County; PR-2647, Harlan County; PR-2790, Hancock County; and PR-2974, Clay County.

Chairman Haydon said no action was necessary for lease modifications of less than \$50,000.

Chairman Haydon said next on the agenda is the bond activity report from the Office of Financial Management and Economic Analysis. He said action was required on new bond issue reports for the Kentucky Economic Development Finance Authority (KEDFA) Health Care Facilities Revenue Refunding Bonds, Series 1999 (Henderson County Health Care Corporation Project), \$4,850,000; and School Facilities Construction Commission (SFCC) bond issues for Campbell County - \$450,000; Fulton County - \$160,000; Metcalfe County - \$130,000; and Williamsburg Ind. (Whitley Co.) - \$200,000.

Representative Damron made a motion to approve KEDFA Health Care Facilities Revenue Refunding Bonds, Series 1999 for the Henderson County Health Care Corporation Project. The motion was seconded by Senator Leeper and passed by voice vote.

Senator Leeper made a motion to approve the school bond issues with SFCC participation in debt service. The motion was seconded by Representative Wayne and passed by voice vote. Representative Damron abstained from the vote, citing a possible conflict of interest.

Also submitted for the Committee's review and in members' folders were four 100% locally funded school bond issues: Dawson Springs Ind. (Hopkins Co.) - \$130,000; Dayton Ind. (Campbell Co.) - \$118,000; Mercer Co. - \$19,000; and Ohio Co. - \$820,000; and two approval letters for previously approved bond issues: Kentucky Asset/Liability Commission General Fund Tax and Revenue Anticipation Notes, 1999 Series A, \$300,000,000; and Kentucky Higher Education Student Loan Corporation Student Loan

Revenue Bonds, Series 1999A (taxable), \$51,350,000, and Series 1999B (Alternative Minimum Tax), \$26,650,000. No action was required on any of these items.

Chairman Haydon next introduced Mr. George DeBin, Vice President for Fiscal Affairs, University of Kentucky (UK), and Mr. Ken Clevidence, Senior Director of Procurement and Construction, UK. Mr. Clevidence reported on several University projects. The first project was a request for a \$199,132 scope increase for the UK Career Planning and Placement Center project, originally authorized for \$2,605,000 (restricted funds). The scope increase will be covered with Restricted Agency Funds and is necessary because of design changes and a low contingency budget.

Representative Damron made a motion to approve the scope increase for the Career Planning and Placement Center project. The motion was seconded by Senator Leeper and passed by voice vote.

Mr. Clevidence next reported a lease, PR-8197, for office/clinic space for the UK Department of Psychiatry. He said as a result of the University's construction of Phase II of the Aging/Allied Health Building, the University sought and received permission from the 1998 General Assembly for a lease estimated to cost \$428,000 for space for a clinical outreach program. He said the Department of Psychiatry is currently located in the Chambers Building, scheduled to be demolished to make room for the second phase of the Aging/Allied Health Building. As a result, the Department of Psychiatry will be temporarily relocated off campus.

Mr. Clevidence said the University advertised for office space for the relocation and received six responses. Two respondents were unable to meet the square footage requirements, and of the remaining four respondents, the bids ranged from \$15.00 - \$16.50 per square foot. After evaluation, the University determined that space at 3470 Blazer Parkway suited its needs. The cost per square foot is \$15.95, and the annual cost will be \$348,284.

In response to a question from Representative Wayne, Mr. Clevidence said the lease for the Department of Psychiatry is temporary until Phase II construction of the Aging/Allied Health Building is completed.

Dr. James Holsinger, Chancellor, University of Kentucky Medical Center, said a number of offices will be moving into the new building once it is completed. The Department of Psychiatry will then be relocated to space on campus vacated by another entity. He said they expect this to happen within the next five years.

In response to another question from Representative Wayne, Mr. Clevidence said the cost per square foot is higher than what the University normally pays because of the

amount of space needed, and the accompanying utilities, parking, and accessibility. He noted that the cost also includes soundproofing many of the clinical rooms. Dr. Holsinger added that the cost also includes clinical space for psychiatric patients, and the facility will also house faculty and staff.

Representative Wayne asked if there was some concern from the Department of Psychiatry that by segregating its staff geographically from the rest of the medical campus, it may actually create more division between them and other medical programs. Dr. Holsinger said such concerns have been raised, and they plan to eventually move the Department back on campus and integrate them geographically within the University's medical programs.

Representative Damron made a motion to approve the lease for the UK Department of Psychiatry with the understanding that the lease is temporary and with the assurance by UK that the Department will be moved back on campus when space is available. The motion was seconded by Representative Wayne and passed by voice vote.

Mr. Clevidence next discussed leases for the UK Medical Center business offices located on Regency Road and Lowry Lane. The leases, which were procured under one solicitation, are PR-8198, Patient Accounts; PR-8199, Patient Accounts/Information Management; and PR-8200, Patient Accounts/Hospital Accounting & Managed Care.

Representative Wayne made a motion to approve the three leases for the UK Medical Center business offices. The motion was seconded by Representative Damron and passed by voice vote.

Mr. Clevidence said the University has submitted a letter to the Committee regarding the Wildcat Lodge Renovation project. The project is to be funded with 50% private funds and 50% Athletic Association funds. He said this project will be discussed at the Committee's September meeting.

Mr. Clevidence then introduced Ed Carter, Vice President for Planning and Budget, and Mr. Dall Clark, Associate Director, UK Capital Construction Division, to discuss University capital projects approved by the 1998 General Assembly that are currently underway.

Mr. Clark reported on the following University capital projects: Commonwealth Stadium Expansion project, the Communications and Network Systems project, the UK Career Planning and Placement Center project, the Mechanical Engineering Building project, the Agriculture/Plant Science Building project, the Aging/Allied Health Building project, the Outpatient Diagnostic Treatment and Primary Care Center project, and the Animal Science Research Center project.

Mr. Clark then reported on deferred maintenance projects the University has completed over the last few years. He said there are five categories of major building systems, and of the 157 projects the University has completed, all but three of the projects addressed systems that have exceeded 90% of their useful life. Mr. Clark said the capital renewal definition recently adopted by the Council on Postsecondary Education states that if a building system has lived at least 90% of its expected life for that particular system, then its replacement is considered a capital renewal project.

Representative Wayne asked if the University is interested in developing a program to raise animals such as buffalo, ostrich, goat, elk, etc. Dean Oran Little, UK College of Agriculture, said the University's 30-year plan includes flexibility in the facilities to permit inclusion of more species.

Representative Marcotte asked if House Bill 1, enacted in the 1997 Special Session on postsecondary education, has helped accelerate the development of the University's academic programs. Mr. Carter said that House Bill 1 established as a goal making the University one of the top 20 public research universities in the country. He said the Research Challenge Trust Fund, established by House Bill 1, and in which the University has successfully matched available funds, will significantly contribute to the University's movement forward. Mr. Clevidence added that a large component of lab space in most of the projects will be used as research space, which is in line with the University's goal of becoming a top 20 public research institution.

Mr. Carter said the University's 2000-2002 capital request will include eight priorities: the Biomedical Research Building; the Rural Health Center Building, Phase II, Hazard; the Seaton Center Addition and Renovation project; the Deferred Maintenance and Capital Renewal Pool; the Animal Science Research Center, Phase II, Woodford Co.; the Center for Pharmaceutical Science and Technology at Coldstream Research Campus; and the Lexington Community College Campus Relocation project.

Representative Marcotte asked about University patents. Mr. Carter said the University owns several patents, and this past year, ranked 32 among universities in the country for royalty income for its patents. He said income generated from the sale of patents is used to support the continued growth of the research program. He said if a student or a professor develops a product, the patent is owned by the University, and the faculty members shares in the revenues after the University recovers its cost of procuring the patent.

The Committee adjourned after touring projects on the University campus and the Coldstream Research Campus.